Source: UBS

Gradually buy when the night is darkest

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Given the unpredictability of US trade policy, market volatility is likely to remain high in the short term. Since it is nearly impossible to time the market perfectly, we recommend building positions gradually.

The past two weeks in the financial markets have been marked by a mix of political uncertainty, geopolitical tensions, and hopes for signs of recovery. In particular, US President Donald Trump's criticism of Fed Chair Jerome Powell reignited the debate over the independence of the US central bank. This uncertainty was immediately reflected in the markets: equities, longer-duration bonds, and the US dollar all fell sharply. Recent trade policy developments also contributed to the uncertainty. The US tightened export restrictions on NVIDIA chips, while China responded by suspending purchases of Boeing aircraft and importing no liquefied natural gas from the US in March. At the same time, China's Ministry of Commerce warned of countermeasures if other countries were to conclude trade agreements with the US at China's expense.

It is noteworthy that traditional "safe havens" such as the US dollar and US Treasuries did not provide their usual protection. The US dollar index fell to a three-year low, and US Treasury yields moved unevenly. In contrast, the gold price reached a new record high, underscoring its role as a crisis currency. Stock markets came under broad selling pressure, with cyclical consumer goods and technology stocks experiencing above-average declines.

In the short term, the environment is likely to remain shaped by geopolitical risks and tariff-related uncertainties. While we see medium-term upside potential for equities and bonds, continued high volatility should be expected for now. The recent 90-day suspension of most US tariffs does suggest some easing in the trade conflict, but markets seem to be waiting for concrete progress in negotiations. And if President Trump were to force a change at the head of the Fed, this could further undermine the credibility of US monetary policy and increase uncertainty.

Overall, we recommend that investors focus on a high degree of diversification, capital preservation, and gradual investments to reduce timing risk and seize opportunities amid uncertainty. Gold, quality bonds, and hedge funds offer good ways to cushion short-term fluctuations in a portfolio. However, those seeking long-term wealth growth will not be able to avoid allocating a significant portion of their portfolios to real assets such as equities, real estate, or infrastructure investments. After all, for investors too, it is darkest just before dawn, and since precise market timing is nearly impossible given the unpredictability of US trade policy, strategies involving gradual purchases can help position for medium-term upside potential in the markets.

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